

STATE OF WASHINGTON

DICK MARQUARDT
STATE INSURANCE COMMISSIONER
AND STATE FIRE MARSHAL



PAUL R. RATLIFF
CHIEF DEPUTY INSURANCE COMMISSIONER

OFFICE OF
INSURANCE COMMISSIONER

REPLY TO:
OLYMPIA OFFICE
INSURANCE BUILDING
OLYMPIA, WASHINGTON 98504
752-7300, AREA CODE 206

B U L L E T I N

No. 78 - 6

June 15, 1978

Subject: (1) USE OF RECEIPTS TO BIND COVERAGE
(2) STATUTORY REQUIREMENTS TO BE MET IN THE SALE OF
CREDIT INSURANCE

Recently we have seen evidence of practices indicating a lack of knowledge or a disregard of certain provisions of the insurance code. While the examples arose out of the sale of automobiles and automobile related insurance, the statutes are not limited in application to such sales. Accordingly, we are bringing two statutes to your attention.

Subject 1. Use of Receipts to Bind Coverage.

RCW 48.18.220 provides:

Where an agent or other representative of an insurer receipts premium money at the time that agent or representative purports to bind coverage, the receipt shall state: (a) that it is a binder, (b) a brief description of the coverage bound, and (c) the identity of the insurer in which the coverage is bound. This section does not apply as to life and disability insurances.

Agents and insurers should review their forms and procedures to make sure that they are in compliance with the statute. Many people are leaving an agent's office with verbal assurance they have "bound" coverage, but the receipt fails to meet the minimum requirements of RCW 48.18.220. Similarly, individuals are entering into automobile purchase agreements and purchasing mechanical breakdown insurance. Too often the installment agreement or receipt simply notes "MBI" or some other equally uninformative notation, with a dollar amount indicating the premium. If coverage is bound, the document should say so. In any event, the public is entitled to know the identity of the insurer and a fairly informative description of the coverage.

Subject 2. Statutory Requirements to be Met in the Sale of Credit Insurance

RCW 48.34.090 requires that all credit life insurance and credit accident and health insurance be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which policy or certificate must be delivered to the debtor.

The statute further provides:

If such individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer; the name or names of the debtor; the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and health insurance; the amount, term and a brief description of the coverage provided, shall be delivered to the debtor at the time such indebtedness is incurred. The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument, or agreement, or the application for any such loan, sale or credit, unless the information required by this subsection is prominently set forth therein under a descriptive heading which shall be underlined and printed in capital letters. Upon acceptance of the insurance by the insurer and within thirty days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in RCW 48.34.080.

We believe that there is widespread noncompliance with the statute. Insufficient information is being given to the debtor. Often, the insurer cannot even be identified. We intend to watch for examples of such lax practice and take corrective action as necessary.

Each of these problems can rather easily be corrected by the insurance companies. We request that all affected insurers bring this Bulletin to the attention of their agents. The statutes are clearly in the public interest and require nothing more than a fair disclosure to people buying insurance.

DICK MARQUARDT
Insurance Commissioner